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ABSTRACT

In reaction to the economic risks associated with an over reliance on oil and gas exports, residents of the Midland/Odessa area of Texas began seeking diversification options for the local economy and, in 1986, formed the Midland/Odessa Health and Retirement Endeavor (MOHRE). This non-profit corporation was formed to examine the feasibility of attracting retirees to the Permian Basin and to determine the amount of public support for such a plan. Employing the tools of strategic market planning, in March 1987, MOHRE undertook a telephone survey of 613 Midland and Odessa adults. Findings of the survey included the following: (1) two-thirds of the respondents felt that retirees would benefit the Midland/Odessa area; (2) over three-fourths of the respondents not currently retired and nearly 90% of those over 55 years of age indicated that they would consider retiring to the area themselves; (3) 70% of all respondents indicated that they would recommend the area to friends or relatives; and (4) among the criteria indicated by respondents as most important to consider in choosing a retirement site were the cost of living, personal safety, health care facilities, affordable housing and churches. These site selection criteria were used to develop marketing strategies to draw retirees to the area which have included placing advertisements in national senior magazines, and sponsoring a senior prom and other activities. MOHRE also uses survey data to encourage local businesses to plan their product lines to respond to the needs of retirees. Maps showing responses by state to the nationally run advertisements are included. (GFW)

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MOHRE

MIDLAND/ODESSA HEALTH & RETIREMENT ENDEAVOR

DIVERSIFICATION

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Article by:
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Desert Analytic

JUNE 1988

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BUSINESS AND INDUSTRIAL GROWTH ANALYSIS

A PUBLICATION OF REPORTS BY ECONOMIC DEVELOPMENT CENTER

OF MIDLAND COLLEGE, 3600 N. GARFIELD, MIDLAND, TEXAS 79705

FOCUSING ON THE OPPORTUNITIES IN THE COMMUNITY

VOLUME 1 NUMBER 2

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JUNE 1988

This report is the second of a series of publications in accordance with our efforts to identify creative and effective ways for the College, Chamber of Commerce, and business organizations to respond to economic needs in the community. These criteria include: Economic Development Needs Assessment, Diversification Study, Undersupplied Industry Study, Incubator Feasibility Plan, Planning for Success, Technical Assistance to New Entrepreneurs, Business Support and Assistance for Small Businesses, and Retaining and Upgrading Job Skills.

Since its inception in 1986, MOHRE (Midland-Odessa Health & Retirement Endeavor) has progressed swiftly through the market research phase of surveying both communities regarding the feasibility of promoting the area as a seasonal and permanent retirement site, to fund raising (including grants and monetary and in-kind contributions from the Private Industry Council, both cities' Chamber of Commerce, and numerous organizations and private citizens), to developing a three-year business plan, to actually placing ads in 50+ magazine--a premier publication for retirees and those approaching retirement age. To date, MOHRE has received almost 2,000 responses to its series of ads. The accompanying map shows that the response rate per one million persons 50+ by state. This map clearly shows the highest response rates have occurred in many of the Great Lakes and Western states, including states neighboring Texas. Volunteers are currently conducting follow-up telephone calls to persons responding to the ads, encouraging them to "give us a serious look," possibly during the summer travel season. From the limited number of calls placed, MOHRE has learned that three persons plan to move to the Midland/Odessa area. In addition to placing national ads, MOHRE has received a tremendous amount of response to promotions placed in the local media, including magazines, newspapers, radio, and television. The cost of many of these local promotions was paid for by the media themselves. Throughout these ads has fun a theme encouraging children of potential and actual retirees to move to Midland-Odessa. MOHRE has also organized events for Seniors already here, including a Salute to Older Americans Month, Senior Prom, and Senior Walk-a- Thons at malls in Midland and Odessa. The overreaching purpose of MOHRE, a non-profit, tax exempt Texas corporation, is to educate retirement-age individuals and their children of the benefits available to them in Midland-Odessa. For those persons with children living here, moving to Midland- Odessa means easy access to children and grandchildren. Based on market research findings, MOHRE found that Midland-Odessa provides many of the amenities regarding quality of life that active retirees seek, including a highly desirable desert climate with plenty of clean air and sunshine, access to quality health care, and lots of affordable housing.

The future holds a great deal of promise and potential for MOHRE and citizens of both cities that recognize the need to diversify our economy. The next step is recognizing that retirees represent only one option toward greater economic diversification. A comprehensive assessment of all our options and plans to carry them forward are needed so we can indeed determine our own economic future.

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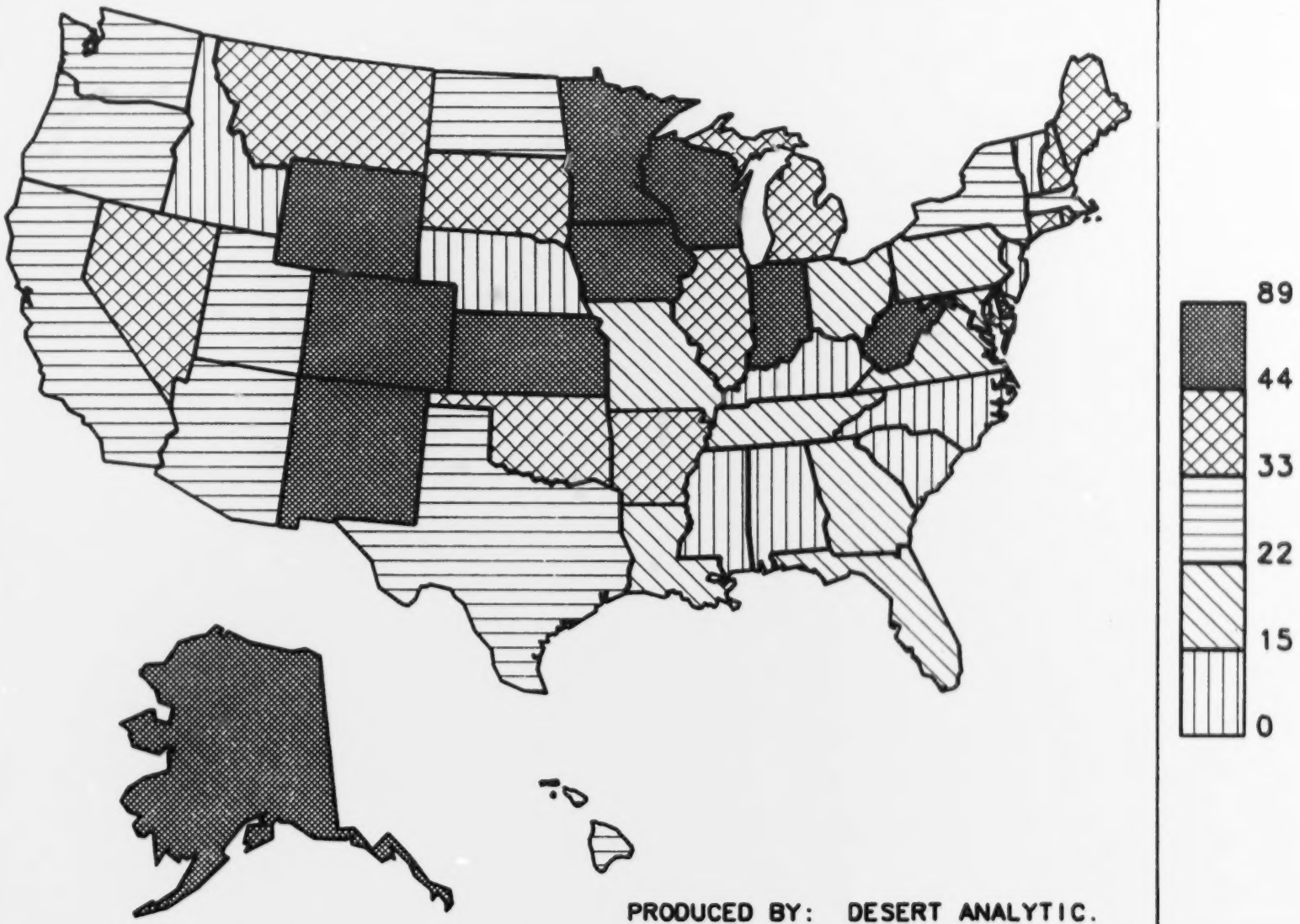
RESPONSE RATE PER 1 MILLION POPULATION 50+ TO MOHRE'S 50+ AD BY STATE: JANUARY 4, 1988 THROUGH JUNE 3, 1988



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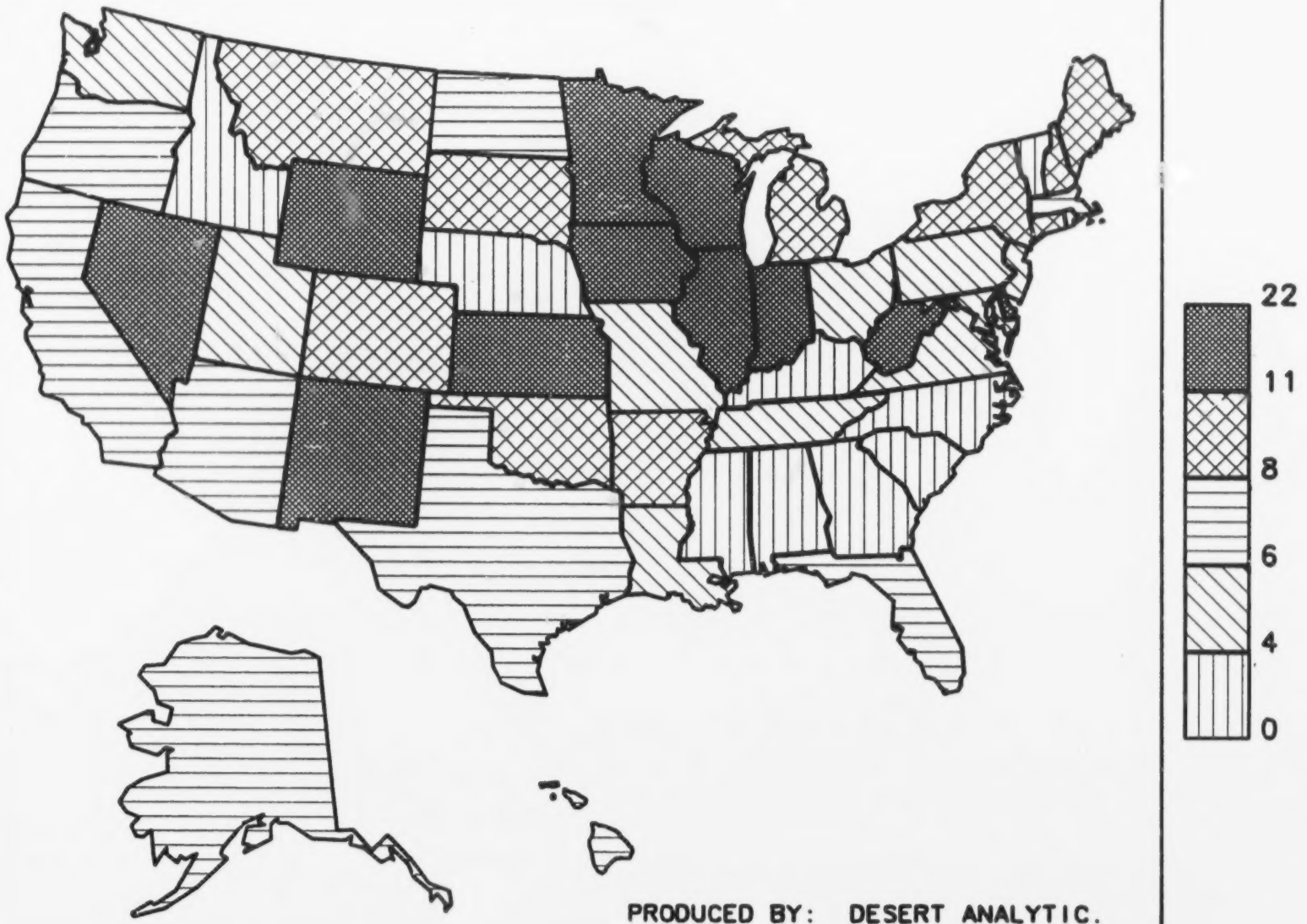

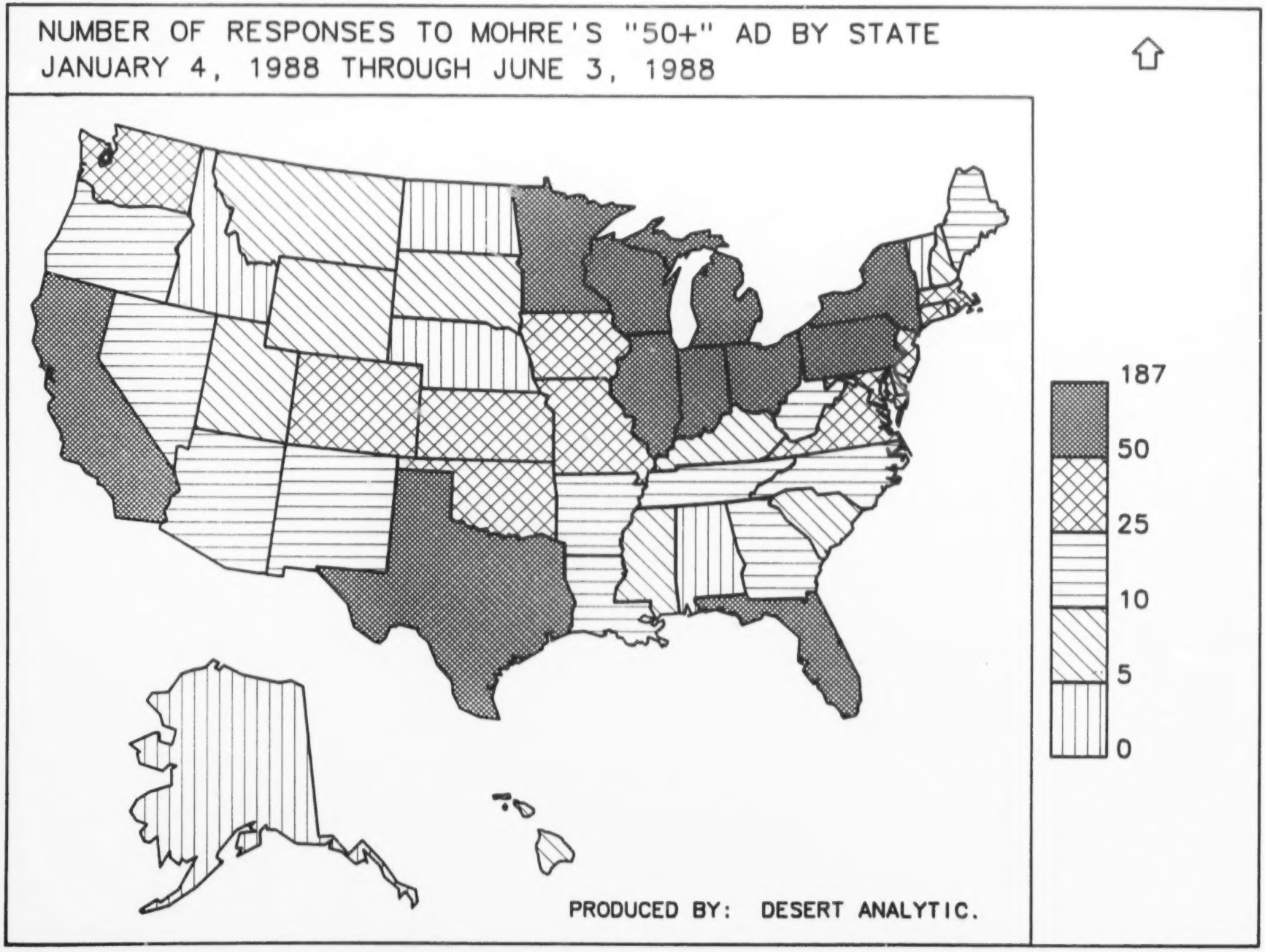
NUMBER OF RESPONSES TO MOHRE'S "50+" AD BY STATE
JANUARY 4, 1988 THROUGH JUNE 3, 1988
187
50
25
10
5
0
PRODUCED BY: DESERT ANALYTIC.

An

Analysis

of

Retirees as an Economic Diversification Option

for

the Midland-Odessa Area

Using Strategic Thinking and Planning

To Identify Additional Options

Prepared by:

P. K. Skipper

Desert Analytic

Midland, Texas

24 May 1988

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I. Introduction

Economic experiences during the past six years in the Permian Basin and across the oil and gas producing states of the Southwest have shown that excessive reliance on production of one or two export commodities is risky. The effects of this reliance have been quite dramatic locally. According to Texas Business Forecasts, an economic consulting firm located in Midland, since 1974, between 80-90% of the fluctuation in employment can be explained by variations in crude oil prices. What happened in the Permian Basin in mid-1981 was the price of a barrel of West Texas crude peaked at $37; the number of waged and salaried jobs in Midland and Odessa swelled to 85,000. One year later, the number of jobs peaked at 120,000.

By 1987, the economic picture had significantly deteriorated. The prices of crude, although increasing from a low of just under $12 per barrel, was approximately $17--a 54% decrease from its peak price. The employment base in Midland-Odessa decreased 35% from its peak level to under 90,000 jobs. Retail sales and housing construction plummeted in both cities. Economic aftershocks continue rippling throughout the local economy years after the initial series of price decreases in 1982 and 1983. For example, since 1983, over 20 Midland apartment complexes have gone bankrupt; four Midland bank failures have also occurred. Employment in finance, insurance, and real estate decreased 27% to 2,575 between 1983-88. Construction employment dropped 62% to 1,225 during the same time period.

A need clearly exists to diversify the Permian Basin economy. Many viable options exist including relocations into the area of businesses similar to those already in existence and conversions of existing petroleum-based manufacturing capacity to production for other industries. Some options are more realistic than others.

One diversification option the Midland-Odessa area has adopted is the attraction of retirees for seasonal and permanent relocations. Florida and Arizona have prospered for decades, partly on the wealth that retirees brought with them from other parts of the country. In 1985, an estimated 12 billion dollars was spent by retirees in Florida. Between 1982-83, Snowbirds, or winter visitors, in the Phoenix metropolitan area contributed 200 million dollars to the local economy. These dollars were spent by retirees on both necessities (housing, food, recreation, health care, utilities) and discretionary items (electronic equipment, newspapers, restaurant meals, charitable contributions, education, the arts). Of course, this injection of cash turns over several times before leaving the area--multiplying its positive effects.

Closer to home, an estimated 76,000 Winter Texans in the Rio Grande Valley near McAllen and Harlingen pump nearly 200 million dollars into the local economy each season (typically October through April). Visitors cite mild winter climate and friendliness of the people as major reasons for choosing the Valley over competing destinations. A market may exist locally which takes advantage of the tendency of some retirees to migrate to certain Sunbelt locations.

The purposes of this paper include (1) examining the local support for and feasibility of promoting the Midland-Odessa area to retirees, (2) documenting criteria for retiree site selection, and (3) defining strategic planning and identifying how we can use the concept to identify additional options for diversifying our economy.

II. Retirees as an Option for Economic Diversification

There are many characteristics of the retired or semi-retired population (primarily 55+ years of age) in America which make them attractive as a diversification option for Midland-Odessa. As noted above, retirees or semi-retirees spend millions of dollars each year in "adopted" seasonal homes and permanent locations. The federal government (primarily the Commerce Department and the Bureau of Labor Statistics) and universities studying retiree "hot spots" in California, Arizona, Texas, and Florida have collected a wealth of information documenting the size of the retiree group, their incomes, and spending patterns.

In 1986, 51 million Americans, comprising 21% of the total population, were 55+ years of age. By the year 2000, their numbers will increase 16% to 59 million, although their percentage of the total population (22%) will not change significantly. This growth rate compares to a projected 12.3% growth rate for the population as a whole.

In addition to their large and increasing numbers, persons 55+ enjoy relatively high incomes. In 1986, the median household income of this group ($25,500) actually exceeded the U.S. national average ($24,897). The 55+ group annually controls 800 billion dollars in income--30% of the U.S. total. Households headed by persons 55+ years old controlled 39% of the nation's discretionary (after tax) income in 1984. Partly because of increases in Social Security payments and generous pensions during the past 20 years, the increase in median household income in the 55+ group more than doubled that of the nation as a whole between 1980-86. In 1984, the 55+ group spent the following amounts per household each year: food ($2,900), housing ($5,079), apparel ($788), transportation ($3,226), health care ($1,256), entertainment ($675), education ($147), charitable contributions ($706), and insurance ($1,928). On average, a household headed by a person 55+ years old spends $17,144 annually.

According to recent research, the 55+ group makes a considerable number of interstate moves each year. In 1980, between one- half and one million persons migrated to the Sunbelt during the winter. One-half of these persons were 55+ years old and one- third were 65+ years of age. Their favorite destinations included FLorida, California, Arizona, and Texas. Permanent relocations of persons 55+ years old total approximately 100,000 per year.

Texas receives 5% of the total relocations. It is currently the fourth favorite destination for retirees seeking new permanent homes. The overwhelming majority of these migrates come from surrounding states (Arkansas, Louisiana, New Mexico, and Oklahoma), although some originate in California, Kansas, and Arizona.

III. Midland-Odessa Health & Retirement Endeavor (MOHRE)

In 1986, a small group of Midland-Odessa citizens began organizing and planning strategy and resources to first examine the feasibility of attracting retirees to the Permian Basin and determine the amount of support among the general public for the concept, then, if feasible, to actually promote the area to potential retirees throughout the U.S. Initial financial support came from the Midland and Odessa Chambers of Commerce and the Private Industry Council. Additional support has been given by dozen of volunteers and businesses in the form of in-kind contributions and cash.

To determine both the feasibility of promoting the area to retirees and the amount of public support for the concept, MOHRE developed and implemented a scientific telephone survey of 613 Midland and Odessa adults during March-June 1987. The age-sex distribution of the calls was adjusted to reflect current demographic patterns. The telephone numbers used were randomly generated by computer. SPSS-PC+ software was used to analyze the data.

Four portions of the survey are particularly pertinent to this discussion. First, respondents were asked whether retirees would benefit the area. Two-thirds of all respondents replied affirmatively. Almost all the

55+ group (the actual target market) responded positively. Second, respondents were asked if they would consider retiring in the area themselves. Over three- fourths of all respondents not currently retired said "yes". Nearly 90% of the 55+ group not yet retired responded in a like manner. Third, respondents overwhelmingly stated they would recommend the area to friends or relatives (all respondents = 70%; 55+ = 25-50%).

Based on the findings of the survey, the goal of successfully promoting the Midland-Odessa area as a seasonal and permanent retirement site was clearly a viable one. Rather than promote the area using an unfocused marketing strategy, MOHRE asked respondents what criteria they considered important when choosing a location in which to retire. The purpose of this series of questions was to help planners more precisely target their marketing strategies. The 55+ group's responses (in descending order of importance) follow.

Most Important

Personal Safety
Health Care Facilities
Affordable Housing
Churches
Cost of Living

Second Most Important

Air Quality
Climate
Cleanliness
Retirement Facilities
Property Taxes
Shopping Facilities

Least Important

Airline Service
Volunteer Opportunities
Recreational Facilities
Entertainment
Art & Cultural Activities
Educational Opportunities

IV. Strategic Thinking and the Strategic Planning Process

Much of the work done relating to the philosophy and nature of strategic thinking and planning has been performed by Peter F. Drucker and George A. Steiner. Although most of their work has concentrated on how businesses can more effectively determine their own futures, it can easily be transferred to the opportunities of developing strategies for local economic diversification. I will not describe the process in detail, but rather concentrate on the philosophy underlying the concept and how Midland-Odessa can adopt it for use in planning economic diversification strategies.

Simply stated, strategic planning has been described as an instrument for designing and bringing about a desired future by allowing one to look at the economy as a whole and the interrelationships of its parts, rather than deal with each separate part alone and without reference to others. It means preparing for change by making things happen, rather than sitting back and waiting for change to happen. It uses imagination and creativity more than detailed knowledge. The key to the process lies in identifica-

tion of new conditions that promise to affect what the area does or hopes to do in the future, then taking whatever actions are necessary to exploit these new conditions to its own advantage and to the advantage of those it serves (particularly the business community)--being proactive rather than reactive. The process relies heavily on this so-called "situation audit" whereby environmental conditions and an area's strengths, weaknesses, opportunities, and threats as they relate to diversification are precisely and accurately identified. Note that only top priority issues are identified, thereby maintaining focus on those issues with the highest probability of affecting the desired outcome--a more diversified economy.

The strategic planning schema is depicted in Figure 1. This model represents a shorthand way of describing a process by which an area's citizens assess its present situation in terms of various environmental forces (usually outside their control--for example, the price of oil and natural gas) and internal conditions (often within their control--for example, the level of crime, availability of affordable housing); define a desired future which accommodates the impact of these forces; and then prepare a coordinated, focused plan of action with long-term goals and quantifiable, short-term objectives which bridge the gap between where they are now and where they desire to be at a particular time in the future. It is this relationship between the actual and the desired that strategic planning is all about.

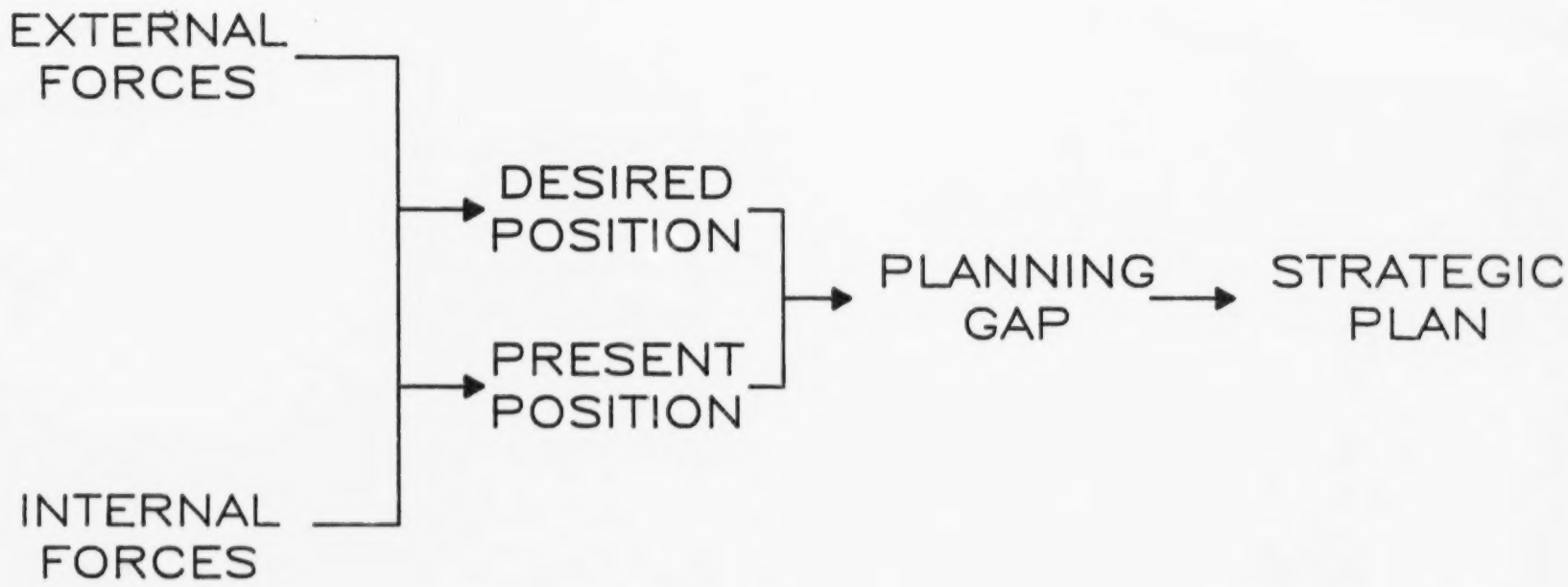
V. Summary and Conclusions

This analysis has shown that over reliance on production of a small set of products and services, no matter which products and services, is quite detrimental to the long-run well being of residents and businesses. Based on our most recent experience with dramatic oil price decreases, there is clearly a need to seek additional, more stable sources of employment. But instead of rushing out and promoting the area in an untargeted way to multiple audiences, we should employ the tools of strategic market planning to help determine our most appropriate options and ultimate selections. This is successfully accomplished by employing a situation audit which identifies our internal and external strengths and weaknesses. It matches strengths with the needs of existing and potential new businesses (both relocations and entrepreneurial startups). Weaknesses are corrected where possible, turning them into strengths which can then be matched to additional opportunities.

The audit is also accomplished by examining our competition (other cities) and developing a unique competitive advantage with which to promote ourselves. One of the options already identified is the targeted promotion of the area to the nation's large and rapidly increasing retired and semi-retired population 55+ years of age. Using a scientifically conducted telephone survey methodology and a survey of the literature, MOHRE has identified a hierarchically arranged listing of site selection criteria which will become useful in planning marketing strategies. MOHRE has also collected detailed information about the area's strengths and weaknesses as they relate to planning the retirement option. The next step lies in using these research data to mobilize existing and potential business to recognize the potential of the retiree market locally and plan their product lines and promotions accordingly.

Despite its apparent attractiveness as a diversification option, retirees represent only one of perhaps ten viable options for more comprehensively diversifying the Midland-Odessa economy. I have suggested that the process of strategic market planning can be readily adapted to identifying additional diversification options. The primary inputs to successfully employing strategic planning lie in leadership, risk-taking, and an innovative, far- sighted approach to identifying options. Few communities have used strategic planning in this way, but it seems well suited to this most important task.

FIGURE 1
STRATEGIC PLANNING MODEL



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